

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 4 - 2 1

2. STATE:

Maryland

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

Medicaid

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 2004 \$ (15,000)

b. FFY 2005 \$ (20,000)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19A&B, Page 2-A  
Attachment 4.19A&B, Page 2-A-a9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):Attachment 4.19A&B, Page 2-A (03-06)  
Attachment 4.19A&B, Page 2-A-a (03-06)

10. SUBJECT OF AMENDMENT:

Allow the Medicaid Program to implement hospital day limits.

11. GOVERNOR'S REVIEW (Check One):

- ☐
- GOVERNOR'S OFFICE REPORTED NO COMMENT
- 
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
- 
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:Susan Tucker, Executive Director  
Office of Health Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Nelson I. Sabatini*

13. TYPED NAME:

Nelson Sabatini

14. TITLE: Secretary, Department of Health  
and Mental Hygiene

15. DATE SUBMITTED:

March 5, 2004

16. RETURN TO:

Susan Tucker, Executive Director  
Office of Health Services - DHMH  
201 W. Preston St., Room 127  
Baltimore, MD 21201**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

MAR - 5 2004

18. DATE APPROVED:

SEP 14 2004

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JAN - 1 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Carmen Keller

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

**State of Maryland**

producing departments are periodically adjusted for such items as inflation, volume change and pass-through cost. HSCRC rates are made pursuant to the uncompensated care methodology of the HSCRC rate setting system. This methodology is described at pages 21 – A through 21 – A-7 of this Attachment.

- b. The Maryland Department of Health and Mental Hygiene will make no direct reimbursement to any Maryland State-operated chronic, psychiatric, tuberculosis facility.
- c. An acute general or special hospital other than private psychiatric hospitals, whose rates have not been approved by the Health Services Cost Review Commission, will be reimbursed according to one of the following:
  - (1) The State will pay according to Medicare standards for retrospective cost reimbursement described in 42 CFR Part 413 or on the basis of charges if less than reasonable cost. For all inclusive rate providers that include provider based physician services, an average cost per for provider based physician services will be developed and paid in accordance with retrospective cost reimbursement principles. In calculating retrospective cost reimbursement rates, the Department or its designee will deduct from the designated costs or group of costs those restricted contributions which are designated by the donor for paying certain provider operating costs, or groups of costs, or costs of specific groups of patients. When the cost, or group, or groups of costs, designated cover services rendered to all patients, including Medical Assistance recipients, operating costs applicable to all patients will be reduced by the amount of the restricted grants, gifts, or income from endowments thus resulting in a reduction of allowable costs. Payment for administrative days will be according to:
    - (1) A projected average Medicaid nursing home payment rate, or (2) if the hospital has a unit which is a skilled nursing facility, a rate which is the lesser of that described in (1) or the allowable costs in effect under Medicare for extended care services to patients of such unit.
- d. Private psychiatric hospitals in Maryland will be reimbursed by a prospective payment system, per diem rate, consisting of a rate set by the Health Services Cost Review Commission pursuant to HSCRC methodology, and modified for cost based reimbursement. Currently, Medicare and Medicaid do not use the HSCRC rates for inpatient psychiatric hospitals. The HSCRC does set rates for private psychiatric hospitals for commercial payers using three (3) categories of inpatients, Adolescents, Adults and Geriatrics. The recommended PPS reduces this to one rate, which is the aggregate of the existing three rates weighted for utilization.

TN No. 04-21

Supersedes

TN No. 03-06Approval Date SEP 14 2004 Effective Date JAN - 1 2004

Rates for psychiatric hospitals are established by rate centers based on each facility's allowable costs defined by HSCRC standards. These unit rates are established for the following services centers in the psychiatric hospitals: admission, ambulance service, audiology, CT scanner, drugs sold, clinic services, electroencephalographs, electrocardiographs electroconvulsive therapy, group therapies, individual therapy, laboratory services, magnetic resonance scanner, medical supplies sold, psychiatric (adult), psychiatric (child/adolescent), psychiatric day & night care, psycho-geriatric, psychiatric intensive care, psychological therapy, radiology (diagnostic), radiology (therapeutic), and recreational therapy. (Note that all service centers are not available in every psychiatric hospital.) Ancillary costs are billed separately and are paid at cost plus a predetermined markup. The markup is based on a three-year rolling average of the hospital's bad debt and allowable payer differentials.

The per diem rates are based on the rates established under the methodology described above. HSCRC's staff calculated the average per diem expenditure for each hospital by dividing each hospital's total charges at established HSCRC rates by its total days. The HSCRC rate is further modified to a percentage of the reductions including bad debt, discounts, 90% of capital cost, public relations, lobbying and certain educational expenses. Review of cost reports and revenue statements produced a 16% reduction on average and establishes the recommended PPS rate at 84% of the HSCRC rate. Payment for administrative days will be according to: (1) A projected average Medicaid nursing home payment rate, or (2) the administrative day rate for recipients waiting placement in a residential treatment center.

- e. For the period January 1, 2004 to June 30, 2005, payment for admissions to acute general hospitals including acute rehabilitation and acute psychiatric units for all fee for service recipients 21 years or older are subject to the limitation described in this section:
  - (1) For the period of January 1, 2004 to June 30, 2004, for each admission, the maximum payment shall be for the days not to exceed 105% of the average length of stay (ALOS) by diagnosis related groups (DRG) to which the recipient has been assigned. For the period July 1, 2004 until June 30, 2005, for each admission, the maximum payment shall be for the days not to exceed 100% of the ALOS by DRG. Hospitals will continue to be reimbursed at the rate approved by HSCRC for the allotted days. Hospitals will not receive additional reimbursement for stays that exceed the designated percentage of the ALOS.

TN No. 04-21

Supersedes

TN No. 03-06

Approval Date SEP 14 2004 Effective Date JAN - 1 2004